



0000160146

BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

Arizona Corporation Commission

DOCKETED

JAN 22 2015

DOCKETED BY

nr

IN THE MATTER OF THE APPLICATION
OF ARIZONA ELECTRIC POWER
COOPERATIVE, INC. FOR THE
APPROVAL OF A TEMPORARY TARIFF
RIDER

DOCKET NO. E-01773A-14-0379

DECISION NO. 74904

ORDER

Open Meeting
January 13 and 14, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Company, Inc. ("AEPCO") is certificated to provide electric service as a public service corporation in the State of Arizona

INTRODUCTION

2. On October 31, 2014, AEPCO filed an application with the Arizona Corporation Commission ("Commission") requesting approval of a temporary rate rider to return to its six Class A members approximately \$7.8 million for excessive coal transportation costs AEPCO paid in 2009-2011.

BACKGROUND

3. AEPCO is a not-for-profit, generation and transmission cooperative that was initially granted a Certificate of Convenience & Necessity ("CC&N") by the Commission in Decision No. 33677, dated February 13, 1962. AEPCO provides generation and transmission services to three all-

1 requirements distribution cooperative members (“ARM” or collectively “ARMs”)¹ and three partial-
2 requirements distribution cooperative members (“PRM” or collectively “PRMs”).

3 4. The ARMs receive all of their power and energy needs from AEPCO while each PRM
4 only commits to purchase a fixed amount of capacity from AEPCO and may secure additional power
5 and energy from other sources. AEPCO’s board members consist of officers from each Class A
6 member cooperative.

7 APPLICATION

8 5. In December 2008, AEPCO filed a complaint with the Surface Transportation Board
9 (“STB”), challenging the reasonableness of the rates established by BNSF Railway Company (formerly
10 Burlington Northern and Santa Fe Railway) and Union Pacific Railroad Company (collectively
11 “Railroads”).² The complaint requested that the STB prescribe reasonable rates and order reparations
12 for overcharges for coal transportation.

13 6. The STB ruled in AEPCO’s favor, establishing lower rates and awarding
14 approximately \$9.2 million dollars to AEPCO for coal transportation costs tendered from January
15 2009 through December 2011.³ The Railroads appealed the STB Decision to the District of Columbia
16 Court of Appeals (“Court of Appeals”). However, the Court of Appeals upheld the STB Decision.⁴
17 As a result, AEPCO received a total of \$9,245,393.15 in reparations from the railroads.

18 7. During the time AEPCO overpaid fees to the Railroads, it had in place Firm Power
19 Sale Agreements (“Agreements”) with Salt River Project Agricultural Improvement and Power
20 District (“SRP”) and Electrical District No. 2 Pinal County (“ED2”). The monthly energy charges
21 paid by SRP and ED2 to AEPCO, as part of the Agreements, included rail transportation costs as a
22 component of the cost of coal.

24 ¹AEPCO’s three ARMs are Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; and
25 Anza Electric Cooperative, Inc. Anza Electric Cooperative is located in southern California. AEPCO’s three PRMs are
26 Mohave Electric Cooperative, Inc.; Sulphur Springs Valley Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc.

27 ² STB is the regulatory agency which has jurisdiction over railroad rates, service issues, and rail restructuring transactions
(mergers, line sales, line construction, and line abandonments); certain trucking company, moving van, and non-contiguous
28 ocean shipping company rate matters; certain intercity passenger bus company structure, financial, and operational matters;
and rates and services of certain pipelines not regulated by the Federal Energy Regulatory Commission.

³ STB Decision No. 41181; November 22, 2011

⁴ BNSF Ry. Co. v. Surface Transp. Bd., 748 F.3d 1295 (D.C. Cir. 2014)

8. Therefore, pursuant to the Agreements, and as a result of the STB Decision, AEPCO owed SRP and ED2 \$1,228,194.93 and \$202,735.82, respectively, which has already been paid. The remaining funds of \$7,814,462.40 would be allocated to AEPCO's six Class A member cooperatives based on each member's usage of AEPCO's coal-fired generation during the 2009-2011 timeframe, subject to each member's maximum allowable capacity and energy agreements with AEPCO.⁵

9. AEPCO is proposing to refund each Class A member cooperative its share of the \$7,814,462.40 in reparations over a 24-month period. In addition, AEPCO's board has approved the timeframe for repayment as well as the calculations of the repayment amounts. The proposed Temporary Tariff Rider No. 1 would become effective retroactively on January 1, 2015. Below is a table that shows the allocation of the total amount to be returned to AEPCO's members.

Cooperative	Monthly Refund Amount	Total Amount Refunded
Anza	\$7,433.69	\$178,408.67
Duncan Valley	\$4,182.26	\$100,374.22
Graham County	\$24,377.15	\$585,051.65
Mohave	\$101,459.27	\$2,435,022.46
Sulphur Springs	\$99,856.47	\$2,396,555.18
Trico	\$88,293.76	\$2,119,050.23
Member Total	\$325,602.60	\$7,814,462.41

RECOMMENDATIONS

10. Staff has reviewed AEPCO's application and recommends approval of its proposed Temporary Tariff Rider No. 1. In addition, Staff believes that a retroactive effective date of January 1, 2015, is appropriate, and therefore recommends approval. Further, Staff recommends that AEPCO file with Docket Control, as a compliance item, a revised Temporary Tariff Rider No. 1, consistent with the Decision in this matter within 15 days of the effective date of the Decision.

...

⁵ The allocated rates include 2012 average coal costs because those costs were partially based on coal inventory from prior years which included the excessive rail transportation costs.

CONCLUSIONS OF LAW

1
2 1. Arizona Electric Power Cooperative, Inc. is a public service corporation within the
3 meaning of Article XV, of the Arizona Constitution.

4 2. The Commission has jurisdiction over Arizona Electric Power Cooperative, Inc. and
5 the subject matter of the application.

6 3. The Commission, having reviewed the application and Staff's memorandum dated
7 December 31, 2014, concludes that it is in the public interest to authorize Arizona Electric Power
8 Cooperative, Inc.'s Temporary Tariff Rider No. 1 to refund monies owed to its member cooperatives.

ORDER

9
10 IT IS THEREFORE ORDERED that the Arizona Electric Power Cooperative, Inc.
11 Temporary Tariff Rider No. 1, is hereby approved as discussed herein.

12 ...

13 ...

14 ...

15 ...

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 .

IT IS FURTHER ORDERED that the Temporary Tariff Rider No. 1 shall become effective retroactively, as of January 1, 2015.

IT IS FURTHER ORDERED that Arizona Electric Power Cooperative, Inc. shall file with Docket Control, as a compliance item, a revised Temporary Tariff No.1, consistent with the Decision in this matter within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

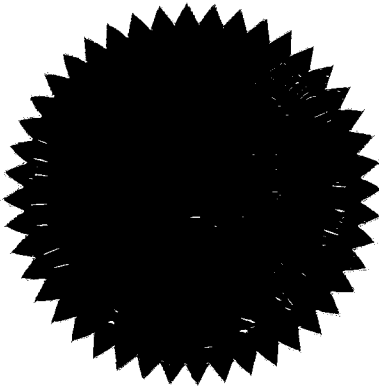

CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of January, 2015.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:CLA:sms/ML

1 SERVICE LIST FOR: Arizona Electric Power Cooperative, Inc.
2 DOCKET NO.: E-01773A-14-0379

3 Michael M. Grant
4 Jennifer A. Cranston
5 Gallagher & Kennedy, PA
6 2575 East Camelback Road, 11th Floor
7 Phoenix Arizona 85016-9225

8 Mr. Steven M. Olea
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Ms. Janice M. Alward
14 Chief Counsel, Legal Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 Ms. Lyn Farmer
19 Chief Administrative Law Judge, Hearing Division
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007